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Castle and Cooke, Ltd.

ANNUAL REPORT FOR THE YEAR 1949

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Castle and Cooke, Limited

HONOLULU, HAWAII

DIRECTORS

J. BALLARD ATHERTON	C. J. HENDERSON
E. E. BLACK	P. K. McLEAN
A. G. BUDGE	GEORGE G. MONTGOMERY
H. K. L. CASTLE	A. F. STUBENBERG
S. N. CASTLE	WILHELMINA TENNEY
HENRY A. WHITE	

OFFICERS

A. G. BUDGE	President
H. K. L. CASTLE	Vice President
C. J. HENDERSON	Vice President
GEORGE G. MONTGOMERY	Vice President
W. M. BUSH	Treasurer
MALCOLM MacNAUGHTON	Assistant Treasurer
HOWARD HUBBARD	Assistant Treasurer
L. J. HOUGHTON	Assistant Treasurer
J. C. KELLEY	Assistant Treasurer
FREDERICK SIMPICH, JR.	Secretary
L. F. DEACON	Assistant Secretary
H. M. RICHARDS	Assistant Secretary

AUDITOR

YOUNG, LAMBERTON & PEARSON

STOCK TRANSFER AGENTS

Hawaiian Trust Co., Ltd.	Honolulu
Wells Fargo Bank & Union Trust Co.	San Francisco

REGISTRARS

Bishop Trust Co., Ltd.	Honolulu
American Trust Co.	San Francisco

Report of the President

To the Shareholders of Castle & Cooke, Ltd.

These are challenging times for business and industry in Hawaii. Our economy has been under varying serious pressures, including war, for the past 10 years. It is doubtful if Hawaii will again experience a "normal" year, as that term has been defined in the past.

The pattern of economic life in the islands has undergone drastic changes, resulting in part from national and world developments. During the past year labor troubles, military cut-backs, mounting unemployment, continued low profits from sugar, intense price competition in the canned fruit field—all operated to withhold from Hawaii the prosperity that prevailed on the mainland. As always, Castle & Cooke fared with the community. Unemployment, resulting largely from reductions in the military program and decreased federal spending in Hawaii, is forcibly before the community. We believe the federal government, having eliminated 12,000 jobs here during 1949, must share the responsibility for helping us to cope with this problem. The main effort should be directed toward developing other activity to provide jobs for our people.

The reduction in federal spending in the Territory has placed an additional burden on sugar and pineapple industries as the principal sources of income and employment. This has happened at a time when both of these industries are facing increasingly aggressive competition on the mainland. If we are to compete effectively we must maintain efficient production and be able to deliver our products to market when they are needed.

Though these islands have often been strikebound, 1949 brought about the first prolonged strike on the Honolulu waterfront in the history of Castle & Cooke's interest in shipping. The isolation and specialization of these islands make us unusually vulnerable to this sort of dispute. Our unique geographic position places upon both management and labor leadership an additional responsibility for the welfare of employes and others

who lack the mobility of mainland residents and thus are entirely dependent on the health and stability of our industries for jobs and security. Any conflict between labor and management here is damaging to all of our people.

The foregoing factors combine to present a real challenge to those who are responsible for directing business and union activity in Hawaii. If we are to meet that challenge effectively, we must do everything we can to minimize the area of conflict between employers and employees. Instead of being used as devices to achieve immediate ends, the rights to strike and to lock out must become guarantees of our ultimate freedom.

It would seem that we are definitely in for a few years of hard going but we can be confident of reaching a solution to our problems. This must be done before mainland investors will again be willing to put their funds back of Hawaii's industries. It is essential that we overcome the present mainland lack of faith in our future as well as the average investor's fear of the difficult labor situation which we face.

Although the tourist industry presently offers the Territory the greatest hope for regaining income lost from other sources, other possibilities for broadening and strengthening the base of our economy should not be overlooked. To that end, Castle & Cooke already has made substantial investments in tuna fishing and macadamia nut production. Diversification of crops and by-product utilization are being explored in our continuing search for sound investment opportunities which will also increase the supply of jobs.

Investments and Income

This year for the first time the balance sheet and operating statement of Castle & Cooke have been consolidated with those of its wholly owned subsidiaries, Castle & Cooke Terminals, Limited, Hawaiian Equipment Company, Limited, and A. F. Stubenberg, Limited. The net profit thus reported for 1949 is \$945,807. The earnings of Castle & Cooke alone were \$940,829, as compared with \$1,043,330 in 1948. The decline in profit is due to the decrease in operating revenues and dividends occasioned by the 177-day waterfront strike. Dividends were reduced from \$1.60 a share in 1948 to \$1.30 in 1949.

No significant changes in balance sheet items occurred during the year. Despite the strike the current position of the company improved slightly;

the excess of current assets over current liabilities of Castle & Cooke alone was \$3,036,315 in 1949 as compared with \$2,911,017 in 1948.

On page 9 the investments of Castle & Cooke in other than wholly owned subsidiaries are tabulated. Reports of these companies will be sent you as they are printed.

Food Production

Sugar

Although the price was generally fair throughout the year, the local industry was seriously penalized by the effects of the waterfront strike. Expensive emergency storage, the cost of diverting additional sugar to the East Coast, the shut-down and subsequent strike at the C. & H. refinery and the consequent loss of markets, all combined to reduce the return to the local industry.

While prospects for early 1950 indicate some softening in price, it is believed that the full force of growing world surpluses is yet to be felt.

At the end of the year negotiation of a contract extension with the union was concluded. We are hopeful of uninterrupted work until August of 1951 under an agreement which relates wage increases to the price of raw sugar.

Continuing review of the work of the plantations satisfies us that they are operating efficiently within the limits imposed by nature and other forces beyond management control.

EWA

Production on this plantation increased to 56,967 tons in 1949 compared with 43,135 tons in 1948. Profit at Ewa, after a special reserve for the excessive cost of replacing depreciable items, was \$414,593 in 1949, compared with a loss of \$142,209 in 1948. The year ahead will be the first in which the effects of the 1946 strike will have been fully dissipated.

Ewa has about completed its costly post-war permanent improvement program. Expenditures on improvements from 1946 through 1949 totaled \$3,115,000.

KOHALA

Favored with good juices and continued improvement in cultural practices, Kohala nevertheless yielded only 37,323 tons in 1949 and lost \$260,935 after the \$61,000 reserve for excessive cost of replacement. The 1948 loss was \$130,797. The company ended the year with overdraft and note due Castle & Cooke of \$1,176,593. This company has historically been a high-cost producer and its operation is far more hazardous than the other properties in which we are interested.

WAIALUA

Earnings at Waialua, after the reserve for excessive cost of replacement, were \$466,614 in 1949 as compared with \$197,314 from sugar production in 1948. This was the first full year in which the company paid rents under its new leases with the Bishop Estate and Helemano Company. Added rental amounted to \$5.32 per ton on the 60,592-ton crop, highest in the plantation's history.

Though supported by a strong cash position, Waialua faces substantial expenditures on pumps and transportation if it is to retain its place as one of the Territory's low-cost producers. For the time being, recommendation of major capital expenditures is being deferred where the improvement does not promise to pay out in a relatively brief span of years or is not absolutely essential for continued operation.

Macadamia Nuts

A year of trial plantings at the new Keaau Orchard outside Hilo has resulted in satisfactory tree growth and the grove is now being enlarged at the rate of 20 acres a month. This is as fast as trees become available from the nursery. Land clearing costs have proved reasonable and effective weed control measures have been developed. Processing research has reached a point where we are satisfied a quality product can be offered when trees come into bearing. To this time costs are falling within forecasts.

Several major problems remain for solution. We must develop a cover crop which will control weeds and replenish organic material in the soil while facilitating mechanical harvesting. We must also determine the most practical method of mechanical harvesting. Finally, we must establish the best means of packaging and marketing the product when trees begin to bear some years hence.

Tuna Fishing

Castle & Cooke's investment in Hawaiian Tuna Packers, like the macadamia nut venture, was influenced by consideration of the community need for an expanded economy. In the past year the tuna company explored Tahitian waters and experimented with tuna from Australia in an effort to increase volume in its Honolulu plant. Neither possibility has yet been finally assessed. The catch from local waters was good and the volume had a favorable effect on unit costs. However, the waterfront strike blocked mainland sales in a period of good prices. By the time the strike ended the tuna market had deteriorated. Thus the bulk of mainland sales will be at a very low profit margin. After writing off exploratory work the company's profit for the year, if any, will be small.

Pineapple

The Hawaiian Pineapple Company—the Dole Company—ended its fiscal year in May 1949, with satisfactory results.

While the outlook for the current year is favorable, there have been developments which have had an adverse effect on operations. Due to the prolonged drought on Lanai, fruit yields for the year have been depressed and these unfavorable growing conditions will be reflected in the crops of the two succeeding years. The extended waterfront strike prevented normal distribution and consumption of Hawaiian pineapple and sale of Dole products suffered as a consequence. Marketing conditions are highly competitive, particularly in the fruit field where certain fruits are currently enjoying a distinct price advantage over pineapple. It is believed that aggressive promotional efforts may serve to minimize the effect of these developments.

Transportation

The past year brought to an end, through mutual understanding, the long-term program whereby we retired from representation of Matson as general, passenger and hotel agents in Hawaii. With the establishment of executive offices here, Matson will henceforth have direct representation in the community which is the source of the majority of its business.

Castle & Cooke will continue as freight agent in Honolulu and Castle & Cooke Terminals will continue to stevedore Matson and other vessels. No change in these activities is planned except to improve service and facilities wherever possible.

Despite the six months' strike, the freight department, through rigid economy, operated satisfactorily. This was due in part to sacrifices by employees of the department who now have been restored to full pre-strike salaries.

Agency executives continued to represent Ewa and Waialua on the board of the Oahu Transport Company, a trucking concern established to haul freight once carried by rail. This company, organized in 1947, operated at a moderate profit.

Matson Navigation Company

Since it first began to serve the islands in 1882, Matson has developed as the transportation arm of Hawaiian industry. To this time the company has consistently recognized the long-range interests of Hawaii as identical with its own. This recognition of identity of interests was the basis for

Matson's staunch support of our community during the 1949 longshore strike. As a result of that tie-up which left its fleet strikebound for six months, Matson reported substantial losses for 1949.

Isthmian Steamship Company

Community recognition should also go to the Isthmian Steamship Company, another line represented by Castle & Cooke, for its strong support during the strike. Operating out of the East Coast, Isthmian risked involvement of its large fleet to keep our commerce moving to and from the islands at regular freight rates despite the unusual and trying circumstances.

Castle & Cooke Terminals, Ltd.

By substantially reducing the work week of administrative employees and calling on reserves established for such emergencies, the Terminals emerged from the strike with some cash on hand. Twice in as many years it has been necessary to use up reserves to meet supervisory payrolls during an extended tie-up.

It is noteworthy that on returning to work the stevedores rapidly regained pre-strike efficiency. This is in part due to a cooperative spirit among the men, but due equally to the fact that the supervising group was retained intact.

The wage agreement on which the strike was settled called for a 14¢ increase on return to work and an automatic extension of the contract with a second wage increase of 7¢ in March of 1950. Compensating tariff increases follow such adjustments.

Merchandising

The new merchandising activities of the company suffered severe losses of sales due to the strike. Payroll reductions and other economies served to offset some of the loss in volume at both Stubenberg and Hawaiian Equipment Company.

A. F. Stubenberg, Ltd.

Though now wholly owned by Castle & Cooke, this company continues to operate as it has in the past under the able leadership of its president, A. F. Stubenberg. There is a minimum of direction from the parent company. No significant changes in the business occurred during the year, though the new International T-D-24 tractor is winning wide acceptance in

Hawaii as the most modern heavy-duty machine in its field. In the light of the effect of the strike on sales, results for the year were satisfactory.

Hawaiian Equipment Company, Ltd.

The new building housing the display room, parts department, repair shop and office for the company was completed during the year at the corner of Kamehameha Highway and Puuloa Road.

Sale of a fleet of Tournahaulers—the cane hauling units which have so greatly reduced transportation costs at Ewa—to the Hawaiian Commercial and Sugar Company on Maui was a significant event in the year. Notwithstanding the loss of volume during the strike, Hawaiian Equipment Company operated at a small profit.

Other Interests

Helemano Company, Ltd.

The activities of this company—largely those of a landowner and investor—continue to be operated by Castle & Cooke as agent. The land holdings of Helemano were reviewed during the year in an attempt to find new uses for areas unsuited to sugar and pineapple.

Honolulu Oil Corporation

With the drop in oil prices during 1949, the earnings of our investment in this mainland company decreased. It continues, however, to provide satisfactory returns.

Tourist Trade

Building tourist travel is everybody's business in Hawaii. Castle & Cooke will continue to support the Visitors Bureau and the air and surface carriers in their efforts to win Hawaii's full share of travel from the mainland. We believe expansion of the tourist industry offers the most immediate promise of relieving some of the problems arising from unemployment. Further attention should be given to inducing retired families in comfortable circumstances to come and make their homes here.

Still denied the right to fly the routes it pioneered, Matson Navigation Company is cooperating with certified air carriers and with the Visitors Bureau in plans for the long-term development of the tourist trade, whether by ship or air.

More than any other single agency, Matson built Hawaii's present tourist trade. Its farsighted investment in hotels and big passenger ships back in

the 1920's has paid far greater dividends to Hawaii than to Matson. Currently it is engaged in widespread advertising of travel to Hawaii, and plans to enlarge its hotel facilities as a future contribution to the travel business. Negotiations with the Maritime Commission, looking to the rebuilding of another of the "White Ships," continue.

General

Stockholders and Employees

At the end of the year we had 945 stockholders and 153 employees, excluding those working for subsidiaries and the macadamia division.

During the year Duncan McBryde resigned as manager of the steamship department to become assistant vice-president of Matson in Honolulu. He began as an office boy in our San Francisco office in 1934. His all-around ability will be missed by Castle & Cooke.

A. W. Bates resigned as our director of public relations to enter an enlarged field of activity on the mainland with a prominent firm of public relations counsellors. The activities of the department are now under the direction of W. R. Norwood who has been with us for several years.

I am appreciative of the problems which all of our employees faced because of reduced salaries necessitated by the waterfront strike. Their spirit and cooperation throughout this trying period were excellent.

Labor Relations

The long waterfront strike and the negotiations toward a renewal of the union contract in the sugar industry have raised doubts as to the wisdom of continuing to conduct our union negotiations on an industry basis. While we recognize the dangers that can arise from uncoordinated action in such matters, we believe the properties for which Castle & Cooke is responsible have suffered from the indecision and compromise which seem inherent to industry-wide bargaining.

The year also showed the power which the ILWU exercises over Hawaii by its domination of the West Coast. In a period when East Coast docks were working and vessels manned by union men were carrying freight to and from Hawaii through picket lines, the ILWU was able to keep all West Coast ports closed in an effort to force settlement of an island issue on a basis favorable to the union.

For six months the waterfront employers and the ILWU, representing the longshoremen, contested the basic principle of collective bargaining vs.

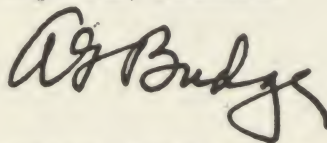
arbitration of wages. Finally, a *negotiated* as distinct from a *dictated* agreement was reached. While the wage increases adopted were substantial, Castle & Cooke feels that rejection of the principle of arbitration of wages should improve labor relations for some time to come. We recognize the obligation we share with the leadership of the union to help speed the community's recovery from the effects of this strike.

Community Relations

Unfortunately a prolonged labor dispute is apt to leave the impression that employers are flatly opposed to the interests of labor, are out to "bust" the unions and are operating without regard to the community interests. While Castle & Cooke may make mistakes, it continues to strive for long term improvement and stability in labor-management relations. It is fully in accord with the decision of employees to organize and bargain collectively, and endeavors to make no basic decision without consideration of the interests of the community.

The industrial peace promised for 1950 will provide an opportunity to re-examine our public relations and revise those of our actions, if any, which appear to conflict with the broad public interest.

Respectfully submitted,



Honolulu, Hawaii
March 15, 1950

President, Castle & Cooke, Limited.

INVESTMENTS OF CASTLE & COOKE, LIMITED

(Excluding Wholly Owned Subsidiaries)

AS OF DECEMBER 31, 1949

	Outstanding Shares	Number of Shares Held	% of Total Outstanding
Bay & River Navigation Company.....	17,000	2,925	17.2
Ewa Plantation Company.....	250,000	51,082	20.4
Hawaiian Pineapple Company, Limited.....	1,484,938	236,500	15.9
Hawaiian Tuna Packers, Limited.....	110,000	45,490	41.4
Helemano Company, Limited.....	609,375	152,562	25.0
Home Insurance Company, Limited.....	50,000	19,208	38.4
Honolulu Oil Corporation.....	937,743	40,000	4.3
Kohala Sugar Company:			
Common Stock.....	159,500	139,409	87.4
Preferred Stock.....	7,000	5,396	77.1
Matson Navigation Company.....	1,645,643	208,413	12.7
Waialua Agricultural Company, Limited.....	609,375	151,190	24.8

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

AT DECEMBER 31st

CURRENT ASSETS:

Cash.....	\$ 1,752,507	
U. S. Government Securities at Cost.....	1,940,225	
Accounts and Other Receivables.....	1,119,553	
Inventories:		
Merchandise at Lower of Cost or Market.....	994,459	
Supplies at Cost.....	94,977	
Prepaid and Deferred Charges.....	40,344	
		<u>\$ 5,942,065</u>
Note Receivable—Kohala Sugar Company.....		1,000,000
		<u>\$ 6,942,065</u>

DEDUCT CURRENT LIABILITIES:

Accounts and Other Payables.....	\$ 2,735,459	
Income Taxes.....	119,403	
		<u>2,854,862</u>

NET WORKING ASSETS..... **\$ 4,087,203**

INVESTMENTS AT BOOK VALUE..... **11,391,181**

LAND, BUILDINGS AND EQUIPMENT

(Less Depreciation)..... **1,618,840**

OTHER ASSETS—Notes Receivable..... **360,761**

\$17,457,985

DEDUCT RESERVES:

Workmen's Compensation.....	\$ 7,928	
Contingencies.....	302,981	
		<u>310,909</u>

TOTAL NET ASSETS IN WHICH
CAPITAL WAS INVESTED..... **\$17,147,076**

SOURCES FROM WHICH ABOVE NET ASSETS

WERE OBTAINED:

Capital Stock (500,000 Shares of \$20.00 Par Value).....	\$10,000,000	
Capital in Excess of Par Value of Stock.....	479,827	
Accumulated Earnings Retained and Used in the Business.....	6,939,360	
	<u>\$17,419,187</u>	
Less Treasury Stock at Cost (9,282 Shares).....	272,111	
		<u><u>\$17,147,076</u></u>

TOTAL CAPITAL INVESTED..... **\$17,147,076**

**CONSOLIDATED STATEMENT
OF
OPERATING RESULTS
FOR THE CALENDAR YEAR 1949**

INCOME:

Agency Fees.....	\$1,084,597
Goods and Services (Subsidiaries).....	948,696
Dividends.....	970,067
Interest.....	64,083
Rents.....	38,289
Miscellaneous (Net).....	59,175

\$3,164,907

COSTS:

Operating Expenses.....	\$2,112,708
Federal and Territorial Income Taxes.....	106,392

2,219,100

NET INCOME.....

\$ 945,807

ACCUMULATED EARNINGS RETAINED AND

USED IN THE BUSINESS—JANUARY 1ST.....

6,610,578

ADD:

Transfers (Net)—Reserve for Contingencies.....

23,631

\$7,580,016

DEDUCT:

Dividends Paid.....

640,656

ACCUMULATED EARNINGS RETAINED AND

USED IN THE BUSINESS—DECEMBER 31st.....

\$6,939,360

Auditor's Report

To the Stockholders of
Castle & Cooke, Limited:

In our opinion, the accompanying financial statements present fairly the consolidated position of Castle & Cooke, Limited, and its wholly owned subsidiaries as of December 31, 1949, and the results of their operations for the year then ended in conformity with generally accepted accounting principles. This opinion is based on our examination of the statements made in accordance with generally accepted auditing standards including such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We have reviewed and accepted the report of an independent auditor for one of the subsidiaries.

YOUNG, LAMBERTON & PEARSON
Certified Public Accountants

Honolulu, T. H.
March 7, 1950

THE HISTORY OF THE

REIGN OF

CHARLES THE FIRST
IN WHICH ARE CONTAINED
THE MOST IMPORTANT
EVENTS OF HIS REIGN
FROM HIS MARRIAGE TO HIS DEATH
IN THE YEAR 1649
BY
JOHN BURNET
BISHOP OF SALISBURY
AND
OF THE CHURCH OF ENGLAND
IN THE REIGN OF CHARLES THE SECOND
IN TWO VOLUMES
THE SECOND VOLUME
LONDON
Printed by J. Streater, at the Sign of the Gun, in St. Dunstons Church-yard, near St. Dunstons Church, in the County of Middlesex.
1724

